United States Department of Agriculture

Foreign Agricultural Service

U.S.-Korea Trade Agreement

What's At Stake for Soybeans?

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The U.S.-Korea Trade Agreement (KORUS agreement) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's $1 trillion economy and 49 million consumers. Under the agreement, nearly two-thirds of current U.S. agricultural exports will become duty free immediately and lower tariffs will benefit both U.S. suppliers and Korean consumers.

The KORUS agreement will help the United States compete against Korea's other major agriculture suppliers and keep the United States on a level playing field with Korea's current and future free trade partners. Korea finalized its trade agreement with the European Union (EU) in October 2009 and presently has trade agreements in place with Chile, India, and the 10-country ASEAN group. In addition, the country is negotiating new trade agreements with Canada, Australia, New Zealand, and China. Most of these countries are U.S. competitors.

If the United States fails to implement the KORUS agreement, it will likely see its share of Korea's total agricultural imports, which stood at nearly 30 percent in 2009, steadily erode.

Soybeans

With the Agreement …

The KORUS agreement's greatest benefit for the U.S. soybean sector is likely to come from improved market access for food-quality soybeans. Korea will establish a zero tariff-rate quota (TRQ) for identity preserved soybeans for food use. Korea's imports of soybeans for food use (production of soybean curd) are currently channeled through a state trading enterprise (STE), which has charged a reported markup of $250 per metric ton. The new TRQ will be operated by an association of food-grade soybean processors, bypassing the STE and giving U.S. suppliers direct market access.

This TRQ will be 10,000 tons in the first year of the agreement, increasing to 20,000 tons in year 2 and 25,000 tons in year 3. For years 4 and beyond, the TRQ grows 3 percent annually in perpetuity.

Korea's 1-percent autonomous tariff on soybeans for crushing will be eliminated upon implementation of the agreement. [NOTE: Korea annually announces a number of voluntary (autonomous) quotas, which effectively reduce tariffs for needed inputs below the established World Trade Organization (WTO) tariff rate. Korea's global WTO quota for soybeans for crushing provides access for 846,365 tons at a 5-percent tariff.]

The Trade Situation …

Korea's soybean imports have steadily climbed since 2006, but remain low compared to years prior to 2006. In addition to a reduced overall market size, recent market gains by Brazil have displaced the United States as Korea's dominant supplier. From 2007-2009, U.S. suppliers shipped an average of 513,189 tons of soybeans valued at $207 million to Korea each year.

The Current Market Access Situation …
Currently, U.S. soybean exports for food use have access to the Korean market under an 185,787-ton global WTO TRQ with an applied tariff of 3 percent. In order to meet domestic demand for processing inputs, Korea has allowed imports above the WTO-mandated volume to enter at the WTO TRQ tariff rate rather than the out-of-quota rate of 487 percent. U.S. soybean exports for crushing (oil and oil cake production) have access under an 846,365-ton global WTO TRQ that also carries an applied tariff of 5 percent. However, Korea imports soybeans for crushing under an annually announced autonomous quota. In 2009, the autonomous quota had a tariff of 1 percent; Korea's WTO bound tariff rate for all soybeans is 487 percent.

Soybean Oil and Meal
With the Agreement …
Korea's 5.4-percent tariff on imports of crude soybean oil (the majority of Korea's soybean oil imports) will be phased out in 10 equal annual reductions. The 5.4-percent tariff on refined oil will be phased out in five equal annual reductions. Korea's 3-percent tariff on soybean flour and 1.8-percent tariff on meal will be eliminated immediately.

The Trade Situation …
Korea's soybean oil imports have increased five-fold over the last decade, with Argentina now dominating the market. The United States, once the dominant soybean oil supplier to Korea, held just a 16-percent market share in 2009. In 2009, Korea was the fourth-largest market U.S. soybean oil. From 2007-2009, U.S. suppliers shipped an annual average of 59,375 tons of soybean oil valued at $56 million.

In 2009, Korea imported 144, 450 metric tons of U.S. soybean meal, valued at $66 million. Still, South America and India dominate the Korean soybean meal market, while the United States' market share is only 10 percent.

The U.S. share of the Korean soybean flour market is about 23 percent. From 2007-2009, Korea's annual imports of U.S. soybean flour averaged 2,942 metric tons, valued at nearly $2.4 million. Chinese-origin, non-genetically modified soybean flour makes up the vast majority of the market.

The Current Market Access Situation …
U.S. soybean oil, meal, and flour are currently subject to applied tariffs of 8 percent, 1.8 percent and 3 percent respectively.